

Message Text

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ORIGIN SS-15

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FM SECSTATE WASHDC

TO AMEMBASSY OSLO IMMEDIATE

S E C R E T STATE 211495

EXDIS TODEP 39

FOLLOWING REPEAT BUDAPEST 2918 ACTION SECSTATE 5 SEP 75.

QUOTE

S E C R E T BUDAPEST 2917

EXDIS

E.O. 11652: GDS

TAGS: EFIN, HU, US

SUBJ: HUNGARY: FINANCIAL TANGLE

REF: BUDAPEST 2882

1. LATEST HUNGARIAN NOTE ON CLAIMS AGREEMENT/GOLD COIN
ISSUE (BUDAPEST 2882) PRESENTED TO MCAULIFFE EXACTLY ELEVEN
DAYS BEFORE ARRIVAL DEPUTY SECRETARY INGERSOLL CONSTITUTES
FURTHER EVIDENCE -- IF ANY WERE NEEDED -- THAT MINISTRY OF
FINANCE AND NATIONAL BANK ARE FEELING FOREIGN EXCHANGE BIND
ACUTELY. WE BELIEVE THAT NATIONAL BANK AND MINISTRY OF
FINANCE (NOT REPEAT NOT FOREIGN MINISTRY) ARE INSTIGATORS
OF THIS LATEST MOVE.

2. WE HAVE JUST LEARNED THAT ON SEPTEMBER 3
SECRET

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FINMIN FALUVEGI TOLD SENIOR VICE PRESIDENT OF
MAJOR NEW YORK BANK THAT USG DELIBERATELY STALLING AND
BLOCKING HUNGARY'S ATTEMPTS TO WIPE BILATERAL FINANCIAL
SLATE CLEAN. ACCORDINGDEX LUVEGI, AMERICAN AMBASSADOR

IN BUDAPEST KEEPS REPEATING THAT WASHINGTON WISHES NORMALIZE BILATERAL RELATIONS WITHOUT DAMAGING HUNGARY'S OR AMERICA'S TIES WITH THEIR RESPECTIVE ALLIES; HUNGARIAN AMBASSADOR ESZTERGALYOS HAS BROUGHT BACK SIMILAR OPTIMISTIC REPORTS FROM HIS INITIAL SOUNDINGS IN WASHINGTON; AND FONMIN PUJA GAVE COUNCIL OF MINISTERS POSITIVE, UP-BEAT REPORT ON HIS AUGUST 1 HELSINKI MEETING WITH SECRETARY KISSINGER. FALQ EGI SAID SOME SAY DEPARTMENT OF STATE MAKING SINCERE EFFORT TO MEND ALL BILATERAL TIES BUT UNABLE MANAGE INTRANSIGENT TREASURY DEPARTMENT. OTHERS ASCRIBE TOTAL FINANCIAL IMPASSE, DESPITE REPEATED HUNGARIAN STATEMENTS OF WILLINGNESS TO CLEAR ALL ACCOUNTS, TO USG DECISION AT VERY HIGH LEVEL TO PRESERVE CERTAIN IMPEDIMENTS TO HARMONIOUS RELATIONS IN ORDER TO DEFER INDEFINITELY RETURN OF CROWN OF ST. STEPHEN. NINMIN CONCLUDED BY SAYING HE DID NOT KNOW REASONS AND HE PREFERRED NOT TO SPECULATE; BUT HE DID KNOW FOR CERTAIN THAT NOTHING IS HAPPENING IN HIS AREA OF RESPONSIBILITY BECAUSE USG WILL NOT RESPOND TO HUNGARIAN OVERTURES.

3. IF U.S. HAS NOT OFFICIALLY RESPONDED TO NOTE NO. 2556/7/1975 PRIOR TO SEPTEMBER 14, DEPUTY SECRETARY CAN EXPECT TO HEAR ARGUMENTATION IN THAT DOCUMENT FULLY DEVELOPED WITH SYMPHONIC ORCHESTRATION. IF -- AS WE SINCERELY HOPE -- U.S. HAS COMPLETED ITS "RE-EXAMINATION" AND GIVEN ITS REPLY, HE WILL ENCOUNTER MAGYAR MELANCHOLIA AND HEAR LAMENTATIONS THAT UNCLE SAM DISCRIMINATES UNFEELINGLY AGAINST SMALL STATES.

4. IN THE EVENT SOME SUCH SCENARIO UNFOLDS, THE HUNGARIANS MAY BEGIN TO PROBE WITH A VIEW TO NEGOTIATING SOME KIND OF

"DEAL". SINCE ONE CAN ALMOST ACCEPT IT AS A GENERAL RULE THAT HUNGARIANS HAVE INSTINCTIVE DISLIKE FOR AND SUSPICION OF ANY SIMPLE, DIRECT, UNCLUTTERED, UNENCUMBERED TRANSACTION, U.S. FOR ITS PART WOULD BE WELL ADVISED TO TAILOR ITS TACTICS TO THEIR NATIONAL PROCLIVITY. ONE SHOULD NOT UNDER CIRCUMSTANCES NOW FORESEEABLE AGREE TO RE-EXAMINE THE "GOLD SECRET

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COIN ISSUE" A THIRD TIME. NOR SHOULD ONE ALLOW EFFULGENCE OF HELSINKI CSCE SUMMIT OR HUNGARIANS' COZY REMEMBRANCE OF FOREIGN MINISTER PUJA'S AUGUST MEETING WITH DR. KISSINGER TO TIP THE BALANCE. INSTEAD, DEPUTY SECRETARY AFTER PLUGGING FOR BASKET III IN GENERAL TERMS (DIVIDED FAMILIES, CULTURAL EXPANSION, ETC.) MIGHT -- AFTER EXPLAINING LEGITIMATE INTERESTS OF CONGRESS AND OTHER DEPARTMENTS -- SEEK DRAW HUNGARIANS INTO DISCUSSION OF RANGE OF BILATERAL ISSUES AS THEY SEE THEM. IF REPEAT AND ONLY IF PUJA (OR HUNGARIAN INTERLOCUTOR) FOUND IDEA ATTRACTIVE, DEPUTY SECRETARY MIGHT UNDERTAKE TO CONFER IN WASHINGTON UPON HIS RETURN ON ACCEPTABILITY OF DEAL WHEREBY:

A) U.S. ON EX GRATIA BASIS AND WITHOUT ESTABLISHING PRECEDENT WOULD AGREE TO EXCLUDE "GOLD COINS" FROM JUNE 10, 1975 TRANCHE;

B) PROVIDED THAT HUNGARIAN NATIONAL BANK WOULD WITH IMMEDIATE EFFECT RESTORE AND PERMIT FULL AND UNTRAMMELLED ACCESS TO BLOCKED FORINT ACCOUNTS; AND

C) PROVIDED THAT GOH WOULD WITHIN SIXTY OR NINETY DAYS MAKE FULL 100 PERCENT SETTLEMENT OF WORLD WAR I \$4 MILLION FLOUR BILL AND ALSO RENDER FULL SETTLEMENT WITHIN SAME PERIOD OF SURPLUS PROPERTY ARREARAGE AMOUNTING TO APPROXIMATELY ONE-QUARTER MILLION DOLLARS;

D) IN WHICH CASE USG WOULD WITHIN THIRTY DAYS THEREAFTER PROVIDE WRITTEN STATEMENT (PROMISED AKAR DURING HIS APRIL 1975 VISIT TO WASHINGTON, STATE 099936, PARA 6) THAT TERMS OF JOHNSON ACT NO LONGER APPLY TO HUNGARY.

5. HUNGARIANS MIGHT AGREE SUBSCRIBE TO SUCH A PACKAGE. HOWEVER, IT IS MORELIKELY THAT, GIVEN THEIR PENCHANT FOR COMPLEXITIES, THEY WILL TRY TO INJECT NEW ELEMENTS AND ADDITIONAL CONDITIONS. BUT AN OFFER BY DEPUTY SECRETARY TO EXPLORE ACCEPTABILITY OF SOME SUCH PACKAGE IN WASHINGTON, ADROITLY CONDITIONED WITH PROPER REFE
ENCES TO THE

SECRET

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INTERESTS OF THE CONGREYE AND THOSE OFOTHER INTERESTED DEPARTMENTS WOULD SHOW THE HUNGARIANS WHO COUNT THAT THE U.S. NOT ENGAGED IN FOOT-DRAGGING AND IS DETERMINED TO CONTINUE NORMALIZATION PROCESS OVER THE COMING MONTHS AND YEARS WITH A PROPER REGARD FOR OUR OWN ENLIGHTENEDSELF-INTEREST. IT WOULD GIVE HEART AND GREATER CLOUT TO THOSE MAGYARS WHO BACK NEM, "CENTRALIZED ADMINISTRATIVE REGULATORS", AND FURTHER ECONOMIC EXPERIMENTATION. THESE ARE THE MEN WHO SEEK CAUIOUSLY BUT CONTINUALLY TO DEVELOP HUNGARIAN ECONOMIC AND CULTURAL "APARTNESS" JUST AS MUCH AS THEY DARE WITHOUT PROVOKING SOVIET WRATH; THESE ARE THE SAME MEN WHO HOPE OVER EVEN LONGER TERM TO FORGE VERY SPECIAL AND SOMEWHAT AMORPHOUS RELATIONSHIP WITH WASHINGTON THAT WILL LESSEN IN SOME MEASURE HUNGARY'S PRESENT TOTAL DEPENDENCE ON AND COMPLETE SUBSERVIENCE TO MOSCOW'S POLITICAL WHIM.

6. DEPARTMENT: PLEASE REPEAT TO DEPUTY SECRETARY INGERYOLLIN OSLO.
MCAULIFFE UNQUOTE ROBINSON

SECRET

<< END OF DOCUMENT >>

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